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Congress of the United States

House of Representatives

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

Congressman Michael R. Turner, Chairman



OVERSIGHT HEARING

STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing topic: *"Strengthening America's Communities – Is It the Right Step Toward Greater Efficiency and Improved Accountability?"*

**Tuesday, March 1, 2005
10:00 a.m.
Room 2154, Rayburn House Office Building**

OPENING STATEMENT

Welcome to the Subcommittee on Federalism and the Census' first oversight hearing entitled "Strengthening America's Communities—Is It the Right Step Toward Greater Efficiency and Improved Accountability?" Today's hearing is the first meeting of this newly established Subcommittee. Before we move on, I would like to thank Chairman Tom Davis for establishing this new Subcommittee. As a former county administrator, Chairman Davis understands the importance of the intergovernmental dynamics between federal, state and local governments, and I thank him for his leadership.

On February 7, 2005 the Administration unveiled a plan in the FY2006 budget to consolidate 18 existing direct grant economic and community development programs, managed by five federal agencies, into a single direct grant program within the Department of Commerce. The grants previously awarded under these programs would be awarded in the name of a newly formed Strengthening America's Communities (SAC) grant program.

The budget for these 18 programs would drop 30% from \$5.31 billion in FY2005 to \$3.71 billion in FY2006. To underscore the enormous impact that this new proposal would have on state and local governments, consider that in FY2005 the Community Development Block Grant (CDBG) program alone was funded at \$4.15 billion, \$450 million more than the \$3.7 billion requested for the new SAC grant program in FY2006.

The Administration's Strengthening America's Communities (SAC) initiative is described as "a unified direct-grant program focusing on America's most economically distressed communities" with the intent of creating "the conditions for economic growth, robust job opportunities, and livable communities." While these are certainly laudable goals, there is widespread concern – and many unanswered questions - about this wide-reaching proposal. The purpose of this hearing is to better understand the Administration's proposal and begin an important dialog on some of the strong concerns raised by stakeholders involved in administering these programs.

The rationale behind the reorganization of these 18 programs is to refocus the grant monies on the original intent of each of the programs. According to a review by the Office of Management and Budget, most of the 18 grant programs lack clear goals or sufficient accountability. Further, many of the grants overlap in key areas resulting in duplicative efforts and wasted money. The goal of the Administration's SAC proposal is to make these grant programs not only more efficient and effective, but to improve the measures of success within a community and to instill greater accountability. Additionally, the Administration aims to simplify access to these grant programs and set new eligibility criteria

I commend the Administration for initiating a conversation about how to best utilize tax dollars to help urban areas address the community and economic development challenges they face. There appears to be broad recognition that the programs targeted for elimination or consolidation need reform. However, there are several aspects of this proposal that concern me. Most significantly, the Administration is proposing a massive realignment of programs associated with longstanding and complex problems such as housing, job creation, business, community and economic development. We do not have specific details on this reorganization plan, or a transition plan to move these programs to the Department of Commerce. Finally, the Administration has not spelled out a clear rationale for reducing the historic role of HUD in addressing these issues. The Department of Commerce does not have historical successes in urban revitalization.

One concern of our Subcommittee will be determining if the proposal actually creates rather than diminishes duplication among federal programs. Another will be focusing upon what, if any, metrics can be applied to the Administration's proposal to determine its likely success.

The Administration has proposed a far-reaching restructuring of the role the federal government plays in improving our urban areas. I look forward to an in-depth discussion about this proposal and how it is expected to perform more effectively than current programs in aiding our cities. I welcome the views of those who administer and analyze these programs in helping us understand the impact of the Administration's plans.

We have two panels of witnesses before us to help us understand the implications of the Strengthening America's Communities program. First, we will hear from Mr. Roy Bernadi, the Deputy Secretary of the Department of Housing and Urban Development. Because the CDBG program is a major component of the SAC program, I have asked HUD to give the Subcommittee an overview of how the current system is run and perhaps even ideas about how the current system could be improved.

Also on the first panel, we will hear from Mr. Clay Johnson, III, Deputy Director for Management at the Office of Management and Budget, and from the Department of Commerce, Mr. David Sampson, Assistant Secretary of Commerce For Economic Development. OMB played a large role in creating the Strengthening America's Communities Program while Commerce will be the chief implementer under the proposed plan.

The second panel will consist of stakeholder representatives from the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, and the National Community Development Association. We have the Honorable Don Plusquellic, Mayor of Akron, Ohio, on behalf of the U.S. Conference of Mayors and Mr. Angelo Kyle, President of the National Association of Counties. On behalf of the National Community Development Association and the National Association for County Community and Economic Development, Ms. LaShea Smith, the Community Development Administrator from my hometown, Dayton, Ohio will testify. Last but not least, we have the honorable Mr. James Hunt, Councilman for the City of Clarksburg, West Virginia, testifying on behalf of the National League of Cities.

I eagerly look forward to the expert testimony our distinguished panel of leaders will provide today.

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